

HOW TO EXPEDITE YOUR GUARANTY PURCHASE REQUEST

National Guaranty Purchase Center Herndon, VA

1. First Step: When a loan needs to be classified as “in liquidation” status, contact the Fresno, CA or Little Rock, AR Commercial Loan Servicing Center in which the file currently resides, and ask that it be transferred to the Center here in Herndon. This will insure that when you have specific actions, liquidation plans to submit, and/or purchase requests, we will already have the loan file.
2. To Initiate a Purchase Request: Make purchase demand in writing along with all documents that SBA will need to process the purchase. Be sure to include date of default; next payment due date; interest-paid-to date; date of maturity (as modified if applicable); interest rate at date of default; and principal balance outstanding.
3. Checklist: The Guaranty Purchase Checklist used by the Center is a numbered list of items that may be needed by SBA to process your request. If you use the checklist as a guide in organizing your documents to submit to the Center, you will greatly assist our staff in reviewing and processing your purchase request. <i>Click here for a link to the checklist and suggestions for preparation of your purchase submission.</i>
4. Complete Packages and Organization: We can only process a claim when the documentation necessary for review is substantially complete. If you send in the entire package at one time, the Center will be able to expedite your purchase. If you don’t have a required item (or a satisfactory substitute), please explain why it is not available. Please identify the documents you submit using the checklist number for each item, and it is recommended that you use numbered tabs for quicker processing by the Center.
5. Use of Proceeds -- SBA Form 1050 Settlement Sheet: Determining that the loan was disbursed for the purposes specified (with any approved modifications) is a material consideration in the review process. We need the SBA Forms 1050 signed by lender and borrower as well as supporting documentation (copies of the joint payee checks, paid invoices, etc.). If these materials are well organized (with supporting documentation attached to the 1050), the Center will be able to process the purchase request more expeditiously.
6. Transcript of Account – SBA Form 1149: Use of the SBA Form 1149 is not required but is extremely helpful in shortening SBA processing time. If you provide your in-house transcripts, we must be able to clearly identify payment receipt dates, interest rates in effect, amounts applied to principal and/or interest, liquidation receipts and expenses, date of default, interest rate at default, date to which interest has been paid, and next installment due date. If your transcript clearly shows these items, it will greatly speed up the processing of your purchase.
7. Proof of Equity Injection: This is frequently a condition of the loan authorization which will indicate amount, type (cash or asset), and intended use (purchase of equipment, working capital, etc.). Verification of the source of a large cash injection is a prudent commercial practice in connection with the loan origination process. For the purpose of proving the actual <i>injection into the business</i> , verification could include copies of processed checks deposited into the business account <i>prior</i> to disbursement of the SBA loan, and/or copies of paid invoices supported by processed checks for the items purchased with the cash equity. This is a key issue for loans that default or encounter loan payment problems soon after last disbursement.
8. Verification of Financial Information: In 1994, SBA began requiring lenders to verify financial information provided with loans to existing businesses and/or for the purchase of an existing business by obtaining a tax transcript directly from IRS, using IRS Form 4506, signed by either the borrower or the seller of the business. Lenders must compare the transcript with the

borrower's financial information submitted with the loan application and notify SBA if it does not reconcile –*ALL OF THIS MUST BE DONE PRIOR TO FIRST DISBURSEMENT OF THE SBA LOAN* (with a few exceptions). This verification is reviewed during the guaranty purchase review and is a **key issue for loans that default or encounter loan payment problems soon after the last disbursement.**

9. Collateral Positions and Guarantors: Proof that the lender has obtained and perfected required lien positions in collateral as specified in the loan authorization is another material part of the review. Title searches and/or lien searches are typical means of documenting the position of the SBA loan. Other documentation may also be satisfactory. An example would be a closing/settlement sheet for real estate sold showing the distribution of proceeds. It will be highly beneficial if you have a collateral list at the time the loan is made to compare with the assets remaining at the time of default (such a list may be required by the loan authorization). The list should include any assets being injected into the business as equity injection. Equally important is obtaining all required guaranties in accordance with the loan authorization and SBA program requirements.

10. Remember – the *burden of proof* is on the lender to demonstrate that it has closed, serviced, and liquidated a loan in a prudent and commercially reasonable manner, and in accordance with the terms of the loan authorization and SBA program requirements. The purchase documentation process begins *prior* to first disbursement.